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INVESTIGATION OF PAPER PRICES

PROCEEDINGS

IN THE

UNITED STATES SENATE

SIXTY-FOURTH CONGRESS

ON

S. RES. 269

A RESOLUTION DIRECTING THE FEDERAL TRADE COMMISSION TO INVESTIGATE THE INCREASE IN THE PRICES OF THE VARIOUS KINDS OF PAPER REQUIRED FOR PRINTING AND BINDING DURING THE LAST YEAR,

TOGETHER WITH

THE CORRESPONDENCE OF THE

JOINT COMMITTEE ON PRINTING

IN RELATION THERETO

Printed for the use of the Joint Committee on Printing.



WASHINGTON
GOVERNMENT PRINTING OFFICE
1916

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1916 b

CONGRESS OF THE UNITED STATES.

JOINT COMMITTEE ON PRINTING.

DUNCAN U. FLETCHER, Senator from Florida, *Chairman.*
WILLIAM E. CHILTON, Senator from West Virginia.
REED SMOOT, Senator from Utah.
HENRY A. BARNHART, Representative from Indiana.
CLYDE H. TAVENNER, Representative from Illinois.
EDGAR R. KIESS, Representative from Pennsylvania.
GEORGE H. CARTER, *Clerk.*

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JAN 13 1917

4-2-1
[Sixty-fourth Congress, first session.]

S. RES. 269

IN THE SENATE OF THE UNITED STATES.

SEPTEMBER 7, 1916.

MR. FLETCHER submitted the following resolution; which was considered and agreed to.

RESOLUTION.

Resolved, That the Federal Trade Commission be, and the same is hereby, directed to investigate the increase in the prices of the various kinds of paper required for printing and binding during the last year, and to ascertain and report, at as early a date as practicable, whether there have been any violations of the antitrust acts by any corporation in connection with such advance in prices, with special reference to the prices demanded for paper necessary for the public printing and binding, and also whether or not the paper so used was manufactured in the United States or imported from the Dominion of Canada.

PROCEEDINGS IN THE SENATE.

THURSDAY, SEPTEMBER 7, 1916.

PRICES OF PAPER.

Mr. FLETCHER. I wish to offer a resolution.

Mr. President, I have here a letter from the Public Printer of this date, which shows that he has been able to get only one bid on 310,000 pounds of machine-finish printing paper, and that bid from a broker, at 11 cents per pound, or a total of \$34,100 for the lot. I ask to have the letter printed in the Record as a part of my remarks.

Last year the same paper was furnished the Government Printing Office under contract at 3.75 cents per pound. This shows an increased price of 7.25 cents per pound, or nearly three times the amount paid last year. The total increase on the 310,000 pounds amounts to \$22,475.

Another bid for only 1,000 reams of the same lot of paper is for 7.9 cents per pound, or almost double that paid last year.

For several months past the Public Printer has not been able to obtain any real competition whatever in his open-market purchases of paper required for the public printing and binding. Even for those items that he has under contract, some contractors are now refusing to deliver in excess of the estimated quantities, though the Attorney General has held that their contracts obligate them to deliver such quantities as may be required for the public printing and binding during the year. The Solicitor of the Treasury has been requested to bring suit against such defaulting contractors, but these suits can not procure paper that is now needed to continue the work of printing the necessary records of the Government. Whether there is collusion among the paper manufacturers and dealers to limit the competition and increase the price for paper required by the Government, I am not prepared to state, but the circumstances are sufficiently suspicious to warrant a special investigation of the matter. The resolution adopted by the Senate on April 24, 1916, applies only to an investigation of the price of news print paper. That investigation has been about completed by the Trade Commission. I believe that the information called for by this resolution will be of great service to the Government, especially as the Joint Committee on Printing will soon be called upon to invite proposals and award contracts for furnishing paper for the public printing and binding for the year beginning March 1, 1917. These proposals are usually submitted in January and the contracts awarded about the 1st of February of each year.

I offer the resolution and ask unanimous consent for its present consideration.

Mr. GALLINGER. Let it be read and see what it is.

Mr. SMOOT. Let the resolution be read.

The Secretary read the resolution (S. Res. 269), as follows:

Resolved, That the Federal Trade Commission be, and the same is hereby directed to investigate the increase in the prices of the various kinds of paper required for printing and binding during the last year, and to ascertain and report at as early a date as practicable whether there have been any violations of the antitrust acts by any corporation in connection with such advance in prices, with special reference to the prices demanded for paper necessary for the public printing and binding.

Mr. SMOOT. Mr. President——

Mr. FALL. Mr. President, if the resolution is going to lead to debate I must object to its consideration at this time.

Mr. FLETCHER. I do not think it will be debated.

Mr. GALLINGER. Will the Senator from Florida object to adding the words "and also whether or not the paper so used was manufactured in the United States or imported from the Dominion of Canada"?

Mr. FLETCHER. I have no objection to that amendment.

Mr. GALLINGER. I move that amendment.

The amendment was agreed to.

Mr. SMOOT. I will say to the Senator from New Mexico that I shall not occupy the time of the Senate more than two minutes. I simply want to call the attention of the Senate at this time to one or two facts.

I have not any doubt but that there has been inserted into the Record to-day without reading articles that will cost the Government of the United States between \$5,000 and \$7,000. It is a practice that we have tried to stop in the past, and I do not know when it will ever be stopped.

But there is a more serious situation than that. To-day the Government Printing Office has not enough paper on hand, if we were going to stay in session, to print the Record more than about 30 days. We generally have about six months' supply of paper on hand, but to-day it has run down to the very lowest ebb and we are compelled to buy the paper now at three times the ordinary price. A great deal of it comes about by Senators putting in the Record editorials, articles in magazines, and everything they can gather together that they have an idea the public want to read.

I hope that the resolution will be passed.

Mr. FLETCHER. Mr. President, I think there is a great deal of unnecessary matter going into the Record, but, at any rate, this investigation, I think, will clear up the situation somewhat. It has been exceedingly difficult to get more than one bid for furnishing certain varieties of paper to the Government Printing Office, although 30 concerns were invited to bid. I ask for the adoption of the resolution.

The PRESIDING OFFICER (Mr. Shafrroth in the chair). The question is on agreeing to the resolution as amended.

The resolution as amended was agreed to.

Mr. FLETCHER. I ask unanimous consent to have printed as part of my remarks the letter which I send to the desk.

The PRESIDING OFFICER. Without objection, it is so ordered.

The letter referred to is as follows:

OFFICE OF THE PUBLIC PRINTER,
Washington, September 7, 1916.

SIR: There is required for use in the Government Printing Office 152,000 pounds machine-finish printing paper, No. 1, white, 24 by 38 inches, 38 pounds; 76,000 pounds machine-finish printing paper, No. 1, white, 38 by 48 inches, 76 pounds; 48,000 pounds machine-finish printing paper, No. 1, white, 24 by 38 inches, 48 pounds; and 34,000 pounds machine-finish printing paper, No. 1, white, 24 by 32 inches, 34 pounds, for the purchase of which an invitation to bid on the specifications was issued, under date of August 24, to about 30 concerns interested in the manufacture or sale of paper of this description, with the result that only two bids were received, one of which covered all of the various lots described at a price of \$0.11 per pound, the quotation being limited to acceptance within six days from September 5; the other bid covered one item only of 1,000 reams of 24 by 38 inches, 48 pounds, at a price of \$3.792 per ream. Both prices were based upon samples submitted by each bidder.

In view of the fruitless effort to interest manufacturers of paper in submitting quotations for Government requirements, I feel that the situation is imperative enough to request that some action be taken whereby the Government will be enabled to purchase paper for public printing and binding work at a reasonable price, and in the meantime I respectfully request authority to purchase the 1,000 reams of 24 by 38 inches, 48 pounds, machine-finish printing paper, at the price of \$3.792 per ream, and if the price of \$0.11 per pound for the other items of machine-finish printing paper hereinabove described is acceptable that you authorize and direct the purchase.

In the event that you decide to disapprove the purchase of any of the items herein described, I respectfully urge that you issue definite instructions directing the procedure to be adopted in obtaining the necessary requirements of paper for public printing and binding work, as I am without authority to compel manufacturers of or dealers in paper to submit bids under existing conditions, and I regard the matter as important enough to justify your most serious consideration and prompt action.

Respectfully,

CORNELIUS FORD,
Public Printer.

CHAIRMAN JOINT COMMITTEE ON PRINTING,
United States Senate, Washington, D. C.

**LETTER FROM CHAIRMAN OF JOINT COMMITTEE ON PRINTING
TO THE FEDERAL TRADE COMMISSION.**

CONGRESS OF THE UNITED STATES,
JOINT COMMITTEE ON PRINTING,
Washington, September 13, 1916.

FEDERAL TRADE COMMISSION,
Washington, D. C.

SIRS: In connection with Senate resolution No. 269, directing the Federal Trade Commission to investigate the increase in the prices of various kinds of paper required for printing and binding, which was adopted by the Senate on September 7, 1916, I desire to call your attention to the remarks on pages 16416-16417 of the Congressional Record of that date which I made when I offered the resolution in the Senate, and to sumit in addition thereto the following statement which may be of service to your commission in conducting the investigation as directed by the Senate.

Shortly after the Joint Committee on Printing had awarded contracts for paper for the public printing and binding for the year beginning March 1, 1916, certain of the contractors began to request modifications of their contracts so as to cheapen the quality of paper they were required to deliver the Government or to increase the price at which they had agreed to furnish paper of the standards required by this committee. These contractors represented that there had been a sudden and unexpected rise in the cost of raw materials used in the manufacture of paper, and that the price of paper, therefore, has advanced far beyond their expectations at the time the bids were submitted to the committee on January 24, 1916. Within two weeks after the contracts became effective the committee received appeals for relief from several of the contractors, including the Kalamazoo Paper Co., of Kalamazoo, Mich.; Champion Coated Paper Co., of Hamilton, Ohio; and the Hawthorne Paper Co., of Kalamazoo, Mich. The committee considered these appeals at its meeting on March 14, 1916, and the companies were advised at that time that the committee could not consent to any changes in the specifications or prices to be paid for paper under contracts which had just become effective on March 1, 1916. The committee was of the opinion that these requests for modifications of the new contracts were premature inasmuch as no paper had been delivered to the Public Printer under the contracts, and consequently the contractors had little or no accurate information at that time upon which to base their claims of possible losses.

It is interesting to note that upon the same day that the committee declined to modify the contracts in the interests of the paper manufacturers the American Pulp and Paper Association sent out a letter from New York under date of March 14, 1916, suggesting to the contractors that they present a concerted petition to the committee requesting that the mills be allowed to furnish paper to the Govern-

ment at actual cost price instead of at the contract price. A copy of this letter, which was signed by A. D. Naylor, secretary-treasurer of the American Pulp & Paper Co., is attached hereto as Exhibit A.¹

Apparent corroboration of this activity of the American Pulp and Paper Association is found in a letter which the committee received from the Champion Coated Paper Co., under date of March 16, 1916, replying to communication from the committee that it had decided on March 14 to require paper contractors to comply with the terms of their contracts. In this letter the Champion Coated Paper Co. says: "We have therefore decided to make a request through the American Pulp and Paper Association for the privilege of taking this matter up further with your committee."

The American Pulp and Paper Association, however, never presented its proposed petition to the committee, and I have no information as to its further activities in regard thereto or the replies which were made to its letter of March 14. It is possible that the committee's action of that date may have discouraged any further presentation of the matter for the time.

Several weeks later Mr. H. A. Moses, president of the Strathmore Paper Co., of Mittineague, Mass., seems to have become active in proposing that the paper contractors present another request to the committee for modifications of their contracts. I understand that Mr. Moses personally visited a number of mills to urge their cooperation in this appeal. Under date of May 13, 1916, Mr. Moses wrote the committee, requesting a hearing to "representatives of four or five mills," that they might present the raw-stock market situation for the consideration of the committee. This request was granted and the hearing fixed for May 18, 1916.

At the hearing on May 18 the following paper contractors were present: Mr. H. A. Mcses, president of the Strathmore Paper Co., Mittineague, Mass.; Mr. H. M. Knickerbocker, president of the Esleek Manufacturing Co., Turners Falls, Mass.; Mr. Peter G. Tomson, jr., vice president Champion Coated Paper Co., Hamilton, Ohio; and Mr. R. P. Andrews, president of the R. P. Andrews Paper Co., of Washington, D. C. The committee also had before it letters from the following companies in regard to modifications of their contracts: Aetna Paper Co., Dayton, Ohio; Hawthorne Paper Co., Kalamazoo, Mich.; Kalamazoo Paper Co., Kalamazoo, Mich.; Knowlton Bros. Co., Watertown, N. Y.; Carew Manufacturing Co., South Hadley Falls, Mass. No stenographic report was made of the hearing, but I attach hereto, as Exhibit B,² an extract from the minutes of the committee of that date, giving a substantial synopsis of the oral statements submitted.

Subsequently Mr. Moses submitted an additional statement, as requested at the hearing, a copy of which is attached hereto as Exhibit C.³ Several other contractors also requested reductions in the amount of rag stock to be used in the paper furnished the Government, claiming that the scarcity and high price of rags made it either impossible for them to comply with the Government's specifications or that in so doing they would incur a serious loss. I attach hereto, as Exhibit D,⁴ copies of telegrams in this connection received from the Champion Coated Paper Co.

¹ See page 16 for Exhibit A.
² See page 17 for Exhibit B.

³ See page 18 for Exhibit C.
⁴ See page 18 for Exhibit D.

It may interest you to know that the committee had the previous year reduced the quantity of rag required in certain writing papers from 50 to 25 per cent and in others from 75 to 50 per cent for the year beginning March 1, 1915, and that this reduction was carried in the specifications for the present year. The reductions had been made to meet possible increases in the cost of rag stock due to the European war. In this connection, however, I call your attention to the following letter which the committee received from True & McClelland, 127 Federal Street, Boston, Mass., under date of December 23, 1914:

We see it announced that your committee has reduced the amount of rag paper, owing to the possibility of shortage of rags owing to the European war.

We beg to advise, as importers of European rags, that this article is a drug at the present. We have an abundance, and find much difficulty in selling them, because the mills are overstocked.

This condition is likely to continue.

This firm may be able to furnish you with information as to whether there has been such a shortage of rags as paper manufacturers represent.

At its meeting on June 5, 1916, the committee finally decided not to authorize any modifications in the standard specifications for paper to be furnished the Public Printer under existing contracts and the Public Printer was notified to require all contractors to comply with the terms and conditions of their contracts. This action was based largely upon the fact that the contractors had made a substantial increase on practically every lot of paper upon which they bid for the year beginning March 1, 1916, indicating that they must have given consideration at that time to the rise in the cost of raw materials. Some of the increases under existing contracts exceed 50 per cent, such increases being made by two of the companies, the Champion Coated Paper Co. and the Strathmore Paper Co., which were particularly active in urging that the committee grant them additional increases over and above their contract prices. In numerous instances increases under existing contracts run from 10 to 20 per cent above the prices paid last year.

That the bidders must have given some consideration to the increased cost is also shown by a letter which the committee received from the Carew Manufacturing Co., of South Hadley Falls, Mass., under date of May 16, 1916, in which that company stated: "We must frankly admit that we made our bid in January last with some idea at least that prices would rule higher, and we are willing, therefore, to take our medicine in spite of the serious condition of affairs."

The committee also took into consideration a petition filed with your commission by the executive committee of the News Print Manufacturers Association in which that association stated that "about 85 per cent of the news print manufactured in the United States and Canada is sold on annual contracts and these contract prices have not increased more than 1 per cent during the past 12 months, and will not average any higher than the price at which it was contracted and sold during the past 10 years."

The committee also had a copy of a letter written by the West Virginia Pulp & Paper Co., under date of April 4, 1916, stating that "We are carrying out and expect to carry out to the letter the contracts we have, and, in our opinion, other contractors should be obligated to do the same."

The following item from the Paper Trade Journal, of April 20, 1916, under Kalamazoo, Mich., date of April 15, was also of interest to the committee in connection with a letter from the Hawthorne Paper Co., under date of March 14, 1916, stating that it would "sustain some very serious losses this year on our contract" and asking the Government to pay an advance price over and above the contract price for paper to be furnished the Public Printer:

The Hawthorne Paper Co. increases its capital stock from \$400,000 to \$500,000, articles of incorporation at Lansing having been amended to show the change. The additional capital will be used to pay for the many improvements that are now being made at the mill. The company recently doubled the size of its power plant and it is also making many other improvements about the mill. Another new machine will soon be added and other necessary equipment installed. The Hawthorne Co. is finding it difficult to take care of all of the business that is coming its way at the present time.

In view of the foregoing facts the committee did not feel justified in granting any increase to the paper contractors, and it did not, therefore, go into the question as to whether it has any authority to modify its contracts, of which there may be serious doubt.

No further appeal has been made to the committee to cheapen the quality or increase the price of paper now under contract, but it is a significant fact that these companies have refrained from bidding on numerous open-market lots of paper since the committee's action of June 5. The result has been that the Public Printer has been forced to pay whatever noncompetitive price he could obtain for paper required to continue the necessary work of the Government Printing Office.

In addition to the apparent resentment over the committee's refusal to accede to their demands for an increase of contract prices, the paper contractors seem to have taken serious exception to an opinion which the Attorney General has rendered at the request of this committee. That opinion construes the existing contracts as requiring the paper contractors to deliver whatever quantity of paper may be required for the public printing and binding during the term of the contract, regardless of the quantities as estimated in advance by the Public Printer. The opinion came about in this way: The Republic Bag & Paper Co., of New York City, entered into a contract to furnish news-print paper to the Government Printing Office for a period of six months, beginning March 1, 1916, estimated quantity being stated at 300,000 pounds, but the contract providing that "the contractor must furnish the quantity which may be needed, whether more or less than estimated." On March 24 the Public Printer advised the committee that he had already ordered in excess of the estimated quantity, and that the Republic Bag & Paper Co. declined to deliver any more paper on its contract for the six-month period. On April 10 the committee requested the President to obtain an opinion of the Attorney General construing the contract as to the quantity of paper that may be ordered thereunder. On May 9 an informal opinion was obtained from the Attorney General, a copy of which is attached hereto as Exhibit E,¹ and this opinion was subsequently made formal by the Attorney General under date of June 13, 1916.

¹ See page 20 for Exhibit E.

On May 18 the Champion Coated Paper Co. notified the Public Printer that it would not furnish any paper on certain lots in excess of the estimated quantities. As a result of this opinion the Champion Coated Paper Co. was declared in default of its contract on certain lots on June 9 and 10, 1916, and the Republic Bag & Paper Co. was declared in default of its contract for news-print paper on June 9, 1916.

There may be some significance in the fact that about the time (June 5) that the committee declined to grant paper manufacturers an increase in their contract prices two contractors were declared in default (June 9) for refusing to furnish paper in such quantities as might be ordered by the Public Printer under their contracts as construed by the Attorney General.

I have presented this rather lengthy recital of preliminary events that you may determine what influence, if any, they have had on subsequent developments. It may be that the paper manufacturers and dealers have entered into an agreement, informal or otherwise, to refrain from competitive bidding on paper required by the Public Printer on account of the Government's attitude toward their present contracts. If such an agreement has been entered into it would appear to be a violation of section 2 of the Clayton antitrust act which prohibits price discrimination where the effect may be to substantially lessen competition or tend to create a monopoly. Of this I have no evidence further than the facts as related by the Public Printer in his efforts to obtain bids on open-market purchases of paper since June 9.

On June 7 the Public Printer requested open-market proposals on 36,000 pounds of white machine-finish printing paper. On this request he received three proposals, including one from the Champion Coated Paper Co., which seems to have been the last proposal submitted by that company since it was declared in default on certain lots of paper on June 9. The lowest bid on this paper was by the Jessup & Moore Co., of Philadelphia, Pa., at 7 cents a pound, the same paper having been bought the previous year under contract of the Jessup & Moore Co. at 3.49 cents per pound.

On June 15, 1916, the Public Printer requested open-market proposals on 220,000 pounds white news print paper and 603,800 pounds machine-finish printing paper. The Public Printer stated in his letter to the committee, under date of June 27, 1916, that he had "circularized and advertised among about 40 mills and dealers in papers of these descriptions soliciting quotations for furnishing the quantities of paper described," with a result that only one bid was received on furnishing the 220,000 pounds news print paper, the price quoted being 3.75 cents per pound. On the machine-finish printing paper there were four items on which no bids were received, and on three items only one bid was received. None of the bids submitted were based on Government standards, all quotations being for a quality of paper represented by samples submitted with the quotations. The Public Printer further states that "the lack of interest on the part of manufacturers and dealers in the invitation to bid is suggestive that further efforts will not be productive of any better results." The prices quoted on the machine-finish printing paper range from 6.7 cents to 7.3 cents per pound, while the

same paper was bought under contract the preceding year at from 3.34 to 3.75 cents per pound.

Again on June 27, 1916, the Public Printer informed the committee that in response to his request of June 15 for open-market purchases on 152,000 pounds of white machine-finish printing paper he had received only one bid of 8.3 cents per pound. This paper was bought under contract last year at 3.74 cents per pound. The Champion Coated Paper Co. refused to furnish the paper in excess of 10,000 pounds under its blanket-lot contract for this year at 4.22 cents per pound.

On July 21 the Public Printer requested proposals on 400,000 pounds of news-print paper. Under date of July 29, 1916, the Public Printer advised the committee that "having repeatedly called for open-market proposals for this paper in various amounts I have either obtained no bids or those which we consider unsatisfactory, and as a last resort have called for proposals based on paper which might be furnished by the bidder, waiving the specifications for color, etc., and as a result of this effort have obtained only one bid from Weinstock & Son (Inc.), as per inclosed copy." The accepted order of Weinstock & Son was 5½ cents per pound for news-print paper, of which the Republic Bag & Paper Co., of New York, had declined to furnish additional quantities at its contract price of 3 cents per pound. Last year the contract price for the same paper was 2.25 cents per pound. Weinstock & Son are located in New York City, as is the Republic Bag & Paper Co.

On July 29, 1916, the Public Printer requested open-market proposals on 400,000 pounds white machine-finish printing paper, samples to be submitted by bidder. Under date of August 12, 1916, the Public Printer advised the committee that "in a recent effort to obtain quotations for furnishing this quantity and class of paper only one bid was received, the price being 8.3 cents per pound, submitted by O. H. Gore." A subsequent quotation was received from the New York & Pennsylvania Co., at 7.25 cents per pound, based upon acceptance within the week and delivery in October and November. This paper was purchased last year under contract at 3.55 cents per pound, the contractor being the New York & Pennsylvania Co., of New York City.

On August 24, 1916, the Public Printer invited open-market proposals on 310,000 pounds of white machine-finish printing paper, requesting the bidders to submit samples of their own paper. The Public Printer received only one bid on the 310,000 pounds, and that from a Washington broker at 11 cents per pound, totaling \$34,100. The same paper was furnished under contract last year at 3.75 cents per pound. Increase asked on this one lot alone amounted to \$22,475. In his letter to the committee, of September 7, 1916, the Public Printer says:

In view of the fruitless effort to interest manufacturers of paper in submitting quotations for Government requirements, I feel that the situation is imperative enough to request that some action be taken whereby the Government will be enabled to purchase paper for the public printing and binding work at a reasonable price.

It was this last observation of the Public Printer that induced me to offer the resolution directing your commission to investigate the

increase in the price of paper with special reference to the prices demanded for paper necessary for the public printing and binding. Whether by prearranged plan or not, it is a fact, as clearly shown by the foregoing statements of the Public Printer, that paper manufacturers and dealers are refusing to bid on paper required for the public printing and binding. For more than three months now the Public Printer has been compelled to rely upon one or two Washington jobbers for the supply of paper that he is required to purchase in the open market. In the last month or two these bids have been received from practically only one local jobber. It appears to me, therefore, that an investigation ought to be made as to whether or not there is discrimination against the Government in the supply and prices of paper.

This seeming discrimination may be directed against the Government Printing Office alone on account of its contractors being required to comply with their contracts. It has been stated that other establishments of the Government, such as the Post Office Department, the General Supply Committee, and the Quartermaster Department of the Army, have been somewhat more successful in obtaining competitive proposals for furnishing paper required by them. I would suggest that inquiry be made of these establishments also to determine whether the Government Printing Office has been singled out to alone bear the brunt of the exorbitant and noncompetitive prices which paper manufacturers are demanding for their product.

The Public Printer can furnish detailed information in regard to the difficulties he has had in obtaining proposals for paper, and I would also suggest that you request him to submit such information to your commission.

I submit herewith as Exhibit F¹ a copy of the proposal for furnishing paper for the public printing and binding for the year beginning March 1, 1916. This proposal shows the classes of paper required for the public printing and binding. The Senate resolution, as you will observe, directs a special inquiry to be made into the advance of prices of such paper. Most of the lots of paper included in the proposal are covered by annual contracts for the year beginning March 1, 1916, and I submit an abstract of such contracts as Exhibit G.¹ A comparison of this abstract with the abstract for the year beginning March 1, 1915 (Exhibit H),¹ will show the advance in prices on the contract lots. The Public Printer can make a direct comparison of these prices and show the percentage of increase in each instance if you so desire.

The greatest increase in prices, however, has been on the open-market purchases which the Public Printer has been required to make of certain lots of paper, particularly news-print and machine-finish printing papers, owing to the default of certain contractors, as I have already stated. I presume your present inquiry into the advance in the price of news-print paper will cover that particular kind of paper sufficiently for the purposes of the investigation I have proposed, except possibly as there may appear to be some special discrimination against the Government in the furnishing of news-print paper for its use.

¹ Exhibits not printed.

Owing to existing contracts, many of which have been complied with in good faith by the present contractors, the Public Printer's difficulty has been confined chiefly to the purchase of machine-finish printing paper which is largely used by the Government Printing Office in the printing of the Congressional Record and the vast number of congressional and departmental documents and reports. An adequate and prompt supply of this paper is absolutely necessary for the operation of the Government Printing Office, and of this fact the paper manufacturers are well aware.

The necessity of large open-market purchases of news-print and machine-finish printing papers by the Public Printer was brought about by the default of three contractors for these items. The default of the Republic Bag & Paper Co., of New York, on news-print paper has already been related. The National Contracting Co., of New York City, after submitting the lowest bid for furnishing approximately 6,000,000 pounds of machine-finish printing paper, failed to enter into a contract in accordance with the terms of its proposal. Subsequently the Champion Coated Paper Co., of Hamilton, Ohio, refused to furnish machine-finish printing paper on its two blanket lots Nos. 20 and 21 in excess of 100 per cent above the estimated quantities for such paper. The defaults of these three companies have accordingly been reported to the Solicitor of the Treasury, and I understand that he is preparing to bring suit against them. Meanwhile the Public Printer is having the greatest difficulty to obtain paper required for the public printing, and according to trade reports there does not appear to be much prospect for a relief from the present high prices. In this connection I quote from the New York Market Review, published in the Paper Trade Journal under date of August 31, 1916:

The general attitude of the trade is that all grades of paper will continue to rise in price for some months to come, owing to the great scarcity and the ever-increasing demand.

This situation is of special concern to the Joint Committee on Printing in view of the fact that it must award contracts on or before February 1, 1917, for paper required for the public printing and binding for the year beginning March 1, 1917, and it is especially in the interest of the Government that a report be had before that time, if possible, as to whether the paper manufacturers are justified in maintaining the present high prices and continuing the same.

In connection with the investigation I presume, of course, that you will also look into the complaints of the paper manufacturers that they have had to pay excessive prices for wood pulp, rag stock, and other raw materials entering into their product. The paper manufacturers and jobbers appear to base their increase of prices upon the great advance in the cost of these materials due, as they assert, to the European war conditions. I notice in the Paper Trade Journal of August 31, 1916, that peeled pulp wood is quoted at Watertown, N. Y., at \$13.50 per cord, and that the general manager of the Somerville-Ellsworth Pulp Wood Co., of that city, believes the price will go to \$15, owing to the shortage in Canada. In the same issue of the Paper Trade Journal there is a very interesting article relating to pulp-wood opportunities in national forests, in which Chief Forester Graves is quoted as stating that the cost of

pulp-wood timber delivered to the mill from the national forests would not often be more than \$3 per cord.

Under date of August 3, 1916, the Secretary of Agriculture addressed a letter to the President in regard to the print-paper situation. In this letter the Secretary of Agriculture makes the interesting statement that—

The Forest Service has offered for sale at various times large amounts of timber on the national forests in logging chances favorable for pulp operations. These areas are located mainly in the Pacific Northwest and in Alaska, and offer combinations of suitable and cheap timber with large quantities of easily developed water power. Up to the present time it has not been possible to make such sales. The chief difficulty has been that the western markets have been fully supplied, and, in fact, mill capacity probably has been in excess of market demands.

In view of these statements I believe the advance in the price of pulp wood ought to be thoroughly investigated, particularly as the Government appears to have pulp wood available, at \$3 or less per cord, with no bidders, while pulp mills claim that they will soon have to pay from \$15 to \$17 per cord.

The rag market may also be a fruitful field of inquiry in connection with this investigation, as, you know, rags are used largely in the manufacture of the higher grades of paper. Paper manufacturers have contended for several months that it is impossible for them to obtain rags regardless of price. They contend that munition makers are now large consumers of rags. On the other hand, the Public Printer recently advised the committee that he had been informed by the manager of a big munition plant that such plants were using only a small quantity of rags in the production of explosives. There has been an inclination on the part of some jobbers, paper manufacturers, pulp-mill men, and rag dealers to each charge the other with demanding excessive prices and thereby making large profits out of the present paper situation. Whether the jobber, the manufacturer, or the pulp mills are being enriched at the expense of the others, I do not know, but this fact is certain—that the consumers of paper, including the Government, have to pay the price. The committee was recently informed by a stockholder in a Kalamazoo company—the _____ Paper Co., I believe—that he was receiving a dividend of \$400 a month on \$10,000 stock in that company. This tremendous profit hardly seems credible, but his statement was made freely and in apparent good faith. If such profits are general in the paper trade, I believe your investigation will prove of great benefit to the public.

Respectfully, yours,

DUNCAN U. FLETCHER,
Chairman.

EXHIBIT A.

AMERICAN PAPER & PULP ASSOCIATION,
New York, March 14, 1916.

GENTLEMEN: When the general Printing Office schedule was bid on in January no one could foresee absolutely the conditions that have arisen.

It is pretty certain that most of those who have bid on Government work will find themselves unable to fulfill their contracts during the coming year except with a loss.

It has appealed to some of the bidders that a concerted petition might be made to the Committee on Printing, which petition made in person before the committee would outline the existing conditions, rapidly getting worse, and point out that under these conditions a material loss would be put upon the mills, and requiring that the mills be allowed to make during such times as the present conditions prevail their contracts at actual cost prices to the Government.

Would you care to become one of the petitioners?

Please favor us with a reply so as to reach here not later than Friday morning, the 17th, if possible.

Yours, very truly,

A. D. NAYLOR, *Secretary-Treasurer.*

EXHIBIT B.

[Extract from minutes of Joint Committee on Printing, May 18, 1916.]

Mr. Moses made the opening statement to the committee. He said that owing to the great increase in the cost of raw materials, due to the European war, the paper contractors would suffer the loss of many thousands of dollars if required to furnish paper in accordance with contract prices and specifications agreed to by them for the year beginning March 1, 1916. He mentioned wood pulp, rags, and chemicals as the principal materials used in the manufacture of paper in which prices have greatly increased. If required to carry out its contracts, Mr. Moses estimated that the Strathmore Co. would lose \$9,478 on its contract to furnish wove machine-finish printing paper, \$7,376 on its writing-paper contracts, and \$16,889 on its bond-paper contracts. He suggested that the paper contractors be permitted to furnish paper to the Government during the remainder of the contract year at actual cost, if such arrangement were practicable; or that the committee modify the specifications for the various lots of paper so as to reduce the cost of manufacture by permitting the use of cheaper materials, such as the substitution of wood pulp for rag fiber now required by the Government specifications. Mr. Moses further stated that his mill would be perfectly willing to show its cost of manufacture to any accountant that the committee might designate.

Mr. Thomson stated that, in addition to the increased cost of raw materials, his mill has to face a large increase in labor cost, owing to the establishment of the three-tour system, which, he claimed, had of itself increased wages practically 50 per cent by payment of the same wage for 8 hours' work that had heretofore been paid for 12 hours' work. In addition to the three-tour system, Mr. Thomson stated that his mill had been required to make other increases in the wages paid its employees.

Mr. Andrews stated that he represented about 10 mills, and that while he had not received any special complaint from these mills, he desired to submit one complaint as to the specifications for paper. He suggested that in certain instances the specifications be modified so as to permit the use of ground wood pulp in certain classes of bristol board, asserting that there was no commercial difference between bristol board containing 25 per cent of ground wood and bristol board made without ground wood.

Mr. Knickerbocker stated that his company was interested in Government contracts this year in only a small way, and that it would stand to lose about \$3,000 if required to carry out existing contracts. He suggested a modification in the specifications affecting his company so as to permit the substitution of bleached sulphite pulp for rag stock. Mr. Knickerbocker said he had been advised that the scarcity of rags was due in part to their use by the Du Pont Co. in the manufacture of explosives, and to the increasing demand for rags in the manufacture of moving-picture films. He also offered to show the mill costs to the committee if desired.

The chairman requested Mr. Moses and the paper bidders accompanying him to submit a brief to the committee showing the condition of the paper market and suggesting such relief as may be desired by them. He further stated that the matter would then be taken up by the committee and probably submitted to the Attorney General for an opinion as to the authority of the committee to modify the existing paper contracts. After having received such an opinion the committee would then consider, if authorized to do so, the advisability of

making changes in the contracts or specifications to meet the situation submitted by the contractors.

The chairman advised the committee that he had also received a letter from the Aetna Paper Co., of Dayton, Ohio, under date of May 15, 1916, requesting some modifications in its contracts to furnish writing and bond papers to the Government Printing Office, and also a letter from Cornelius Kahlen, of New York, under date of May 16, 1916, requesting permission to supply onionskin paper ordered under contract for 1915-16 at an increase from 24 cents, contract price, to 33 cents per pound.

EXHIBIT C.

STRATHMORE PAPER Co.,
Mittineague, Mass., May 19, 1916.

Hon. DUNCAN U. FLETCHER,

Chairman Joint Committee on Printing, Washington, D. C.

DEAR SIR: Complying with your request at the hearing yesterday we will suggest that you allow us to make the following changes in our contracts:

On our contracts for items of book paper Nos. 24 and 28, instead of using 75 per cent rag you allow us to use 50 per cent rag and 50 per cent pulp.

On our contracts for bond papers, items Nos. 90, 91, and 93, calling for 100 per cent rag, you allow us to use 25 per cent pulp and leave out the watermark. By eliminating the latter, which is difficult to run, we can make larger product, and by substituting 25 per cent pulp it would make no depre-
ciable difference in the quality of the paper.

On the book paper, by substituting 25 per cent pulp, we feel that it will not materially affect the quality of the paper.

We should be glad to make one shipment under these formulas with these changes to submit for approval.

As we have considerable large orders on hand the matter is very important to us, as we will be under a big loss, and we trust you will be able to render prompt decision.

Yours, very truly,

STRATHMORE PAPER Co.,
H. A. MOSES, President.

EXHIBIT D.

THE CHAMPION COATED PAPER Co.,
Hamilton, Ohio, March 14, 1916.

Hon. DUNCAN U. FLETCHER,

*Chairman Joint Committee on Printing,
Washington, D. C.*

DEAR SIR: We confirm our night letter to you as follows:

"Most unprecedented advances in prices of all materials and supplies since we bid on paper for Public Printer prevent our fulfilling contracts without large loss. We respectfully request that prices be increased on all our contracts to cover extra costs since we bid; prices to be reduced to contract prices when costs are reduced to those at time of bid."

Respectfully,

THE CHAMPION COATED PAPER COMPANY,
P. G. THOMSON, V. P.,
Per R.

THE CHAMPION COATED PAPER Co.,
Hamilton, Ohio, March 14, 1916.

Hon. DUNCAN U. FLETCHER,

*Chairman Committee on Printing,
Washington, D. C.*

DEAR SIR: We confirm our night letter to you, same reading as follows:

"We have contracts paper with Public Printer requiring various percentages rags, and to-day received orders for same. We find it impossible secure rags

account manufacturers explosives having offered rag dealers premium over anything paper makers offer, and we request we be permitted substitute bleached chemical pulp for rags on all orders until conditions change."

Respectfully,

THE CHAMPION COATED PAPER CO.,
P. G. THOMSON, V. P.,
Per R.

THE CHAMPION COATED PAPER CO.,
Hamilton, Ohio, March 18, 1916.

JOINT COMMITTEE ON PRINTING,
Washington, D. C.

Attention Hon. W. E. Chilton, acting chairman.

GENTLEMEN: We have your letter of the 15th in reply to our request of the 13th asking you to permit us to substitute bleached chemical pulp for rags on orders which we have received from the Public Printer requiring various percentages of rag.

We note that you have decided to instruct the Public Printer to require that we furnish the specified quantities of rag stock on the orders which he has sent us and also on future orders. We regret that it is impossible for us to do this, as we have found it almost impossible to secure rags for completing the orders requiring rags on our last year's contract, expired March 1.

We have found it impossible to purchase rags to fill the orders now received from the Public Printer on the contract which begins March 1, and are advised that the only mills which can furnish any rag stock are those which happen to have large warehouses full of rags which were purchased before the present conditions of the market. Not only has an embargo been placed on the export of rags from both France and Great Britain, but we are advised the manufacture of explosives have offered rag dealers a premium over anything which paper makers will offer them. Under these circumstances you can understand that an enforcement of the contract makes it absolutely impossible for us to fill the orders.

We therefore ask for your consideration in this matter and that you permit us to fill the orders with bleached chemical pulp, and even if this is permitted, owing to the present price of bleached chemical pulp, it will mean that we are obliged to fill the orders at a very large loss.

Respectfully,

THE CHAMPION COATED PAPER COMPANY,
PETER G. THOMSON, Jr., V. P.,
Per E. S.

THE CHAMPION COATED PAPER CO.,
Hamilton, Ohio, April 3, 1916.

JOINT COMMITTEE ON PRINTING,
Washington, D. C.

GENTLEMEN: We respectfully confirm our night letter to you of this date, as follows:

"Public Printer desires information regarding orders for paper requiring large quantities rags. Have found it impossible secure rags of proper quality, although have made house-to-house canvas for rags with motor trucks, and paper made from rags obtained not of satisfactory quality. Can fill orders by substituting bleached pulp at large loss, as have been compelled pay large advances pulp and all supplies and almost 50 per cent advance in labor. We respectfully request your immediate permission use bleached pulp instead rags and your future consideration of paying advanced prices on all items contracted."

Respectfully,

THE CHAMPION COATED PAPER CO.,
PETER G. THOMSON, Jr.,
Vice President.

THE CHAMPION COATED PAPER CO.,
Hamilton, Ohio, May 23, 1916.

Hon. DUNCAN U. FLETCHER,

Chairman Joint Committee on Printing,

Washington, D. C.

DEAR SIR: We confirm our night letter, as follows:

"The Public Printer desires quick shipment orders requiring rags. Can only make quick shipment by making these orders entirely of bleached pulp. Please advise us if can make all orders requiring rags with bleached pulp, of which there is greatest scarcity. Also advise can we use high-grade unbleached sulphite in all other orders requiring bleached pulp, otherwise impossible meet demands of Public Printer in specifications. Would still mean tremendous losses to us in filling orders for the specified quantities upon which we bid, and any increase in price to partially cover excessive advances in materials and labor would be greatly appreciated."

Respectfully,

THE CHAMPION COATED PAPER CO.,
P. G. THOMSON, Jr.,
Vice President.

EXHIBIT E.

OPINION OF THE ATTORNEY GENERAL.

OFFICE OF THE ATTORNEY GENERAL,
Washington, D. C., June 13, 1916.

SIR: I have the honor to refer to your letter of April 14, 1916, and its enclosures and, in compliance with your oral request therefor of June 9, 1916, to submit a formal opinion on the questions developed from that letter, as follows:

(1) Whether the contractor, under the contract for public printing supplies hereinafter described, is bound to deliver to the extent of the needs of the Government during the contract period; (2) whether the Government may enter into a new contract for such paper beyond the quantity specifically named in the original contract; and (3) whether the Government, under language such as is found in this contract, would be required to purchase the whole specified quantity, though such quantity was in excess of its needs.

I am of the opinion—

(1) The contract in question was within the power of the Joint Committee on Printing and obligated the contractor to furnish the paper described to the limit of the Government's needs during the life of the contract.

(2) The Government has no right to enter into a new contract for any part of the supply covered by the old contract save as provided in the old contract itself; and

(3) The Government can not be compelled to take more than its needs, though that need is less than the amount specified in the schedule or estimates.

The questions arise on the following statutes and facts:

The so-called printing act of January 12, 1895 (28 Stat., 601), among other things, provides:

"Sec. 26. The Public Printer shall, at the beginning of each session of Congress, submit to the Joint Committee on Printing estimates of the quantity of paper of all descriptions which will be required, * * * etc.

"Sec. 3. The Public Printer shall, under their (Printing Committee's) direction, advertise * * * for sealed proposals to furnish * * * paper as specified in the schedule to be furnished to applicants by the Public Printer, setting forth in detail the quality and quantities required for the public printing.

"Sec. 4. The advertisement shall specify the minimum portions of each quality of paper required * * * but when the minimum portion as specified in any case exceeds in amount one thousand reams it shall state that proposals will be received for one thousand reams or more.

"Sec. 5. * * * they shall not consider any proposal * * * not accompanied by a bond * * * that the bidder * * * if his * * * proposal is accepted, shall enter into a contract to furnish the articles proposed for, * * * etc."

The procedure in this case was as follows:

On January 31, 1916, an advertisement was published naming no minimum, as such, but reading—

"Contracts will be entered into for supplying the quantities required, whether more or less than the estimates, for a period of six months or one year, commencing March 1, 1916. * * * The approximate estimated quantities * * * set forth *in detail* in the *schedule* comprise: 305,000 pounds news print paper. * * * Blank proposals containing the instructions *schedule* and specifications * * * may be obtained by addressing, * * * The Public Printer, Washington, D. C.

and further stating "award of contracts" to be made to the lowest and best bidder whose bids are "*in conformity with the requirements of the proposals.*"

The blank forms of proposals furnished intending bidders, and which was filled in and returned by the Republic Bag & Paper Co. as its bid and proposal, stated—

"The undersigned * * * hereby propose to supply the Government of the United States with so much of the paper, more or less, embraced in the following schedule, as may be required for the public printing and binding, from March 1, 1916, to February 28, 1917, or for a period of six months from March 1, 1916, * * * etc."

and under the heading "Instructions," provided—

"Quantity and quality.—The subjoined schedule specifies the quantity as nearly as can be estimated, but the contractor must furnish the quantity which may be needed, whether more or less than the estimate * * *.

"Contract.—* * * The successful bidders will be required to enter into a contract to furnish the quantity required, whether more or less than the estimates, * * * etc.

"Delivery.—* * * Satisfactory delivery must be made within 30 days * * * after receipt of an order."

Under the heading "Schedule," appeared: "Printing paper, white news print, lots 1 and 2, specifications * * * 300,000 pounds * * * six months." And opposite this entry appeared the figures "3¢," inserted by the Republic Bag & Paper Co.

The bond accompanying the proposal as executed by the bag company recited that it was "made and executed on the terms and conditions of the said advertisement, instructions, schedule, and, specifications provided and prescribed to accompany the foregoing and annexed proposal of the above bidder."

The contract obligated the Republic Bag & Paper Co. to furnish all labor and material necessary to manufacture and deliver "so much of the estimated quantity as may be ordered * * * whether more or less than the estimates stated in the proposal * * * as more specifically set forth and described in the proposal containing the instructions, schedule, and specifications, * * * a copy of which * * * is hereto attached and made a part of this contract."

The contract further provided for deliveries from time to time on partial orders, each specifying the quantity then desired.

Under the heading "Extras," it was provided—

"No claim for compensation for any additional or extra work or material (i. e., paper) shall be made by or allowed to (* * * the contractor * * *) * * * except as specifically provided in the accompanying proposal form."

There was in the proposal no provision for additional compensation save as implied from the above-quoted provisions requiring the furnishing of quantities, if needed, in excess of the schedule estimate.

Under the heading "Default," it was, in that event, provided that the Government "shall procure such quantity, or quantities, of paper necessary for the public printing in the manner prescribed by sections 9 and 11" of the Printing Act (*supra*).

My reasons for my conclusions, first above stated, are:

As to the power: The requirement of section 4 of the act, that the advertisement should state a minimum, was meant but to indicate to possible bidders what the proposals might involve in a general way. It also suggests somewhat, however, the idea of an unlimited maximum.

The provision that the schedule to be furnished intending bidders shall set forth in detail the quality and quantities required for the public printing, does

not, in my judgment, limit the power to contract to a specific number of pounds to be guessed at in advance, regardless of the actual needs of the printing operation. It is complied with by the statement in the schedule that the quantity is estimated at a fixed number of pounds, but the amount to be furnished will be less or more, controlled by the actual need during a named period. Such a statement is a "*detail*" of quantity. It is no wise uncertain in meaning, and is certain as may be, as to quantity. The maxim "*Id certum est quod certum reddi potest*" applies, in that the bidder knows that the operation itself will determine the exact number of pounds he will be obliged to furnish, and that beyond its needs he can not be held. Of course, if it was intended to contract but for a part of the needed supply within a given period, the part probably could, and if so should, be stated.

Section 3 shows that the purpose of the contract provided for is to secure the periodical supply "required for the public printing." Section 9 makes this even plainer. It provides in case of failure to furnish the contract supply, for a reletting; and, pending the reletting, for a purchase in the open market of "all paper necessary for the public printing"; and further, for a liability on the bond for any increase of cost "in procuring a supply of such paper * * * consequent upon such default."

If the language as to detail in the schedule were to be read as limiting the power to contract, to a contract for an exact number of pounds, to be specified in advance in the schedule, it would force the Government to guess at its future need and to take that exact number of pounds though its need turned out to be far less; or, on the other hand, it would prohibit it from arranging for more than the named number of pounds, though its need should turn out to be far greater. Thus it would be driven to emergency purchase at advanced prices in the open market under section 11, because of a lack of power to deal in advance with a known condition; i. e., fluctuation of quantity needed for operating purposes.

As to the obligation of the contract: Because the entire "proposal," including the attached instructions, schedule, specifications, etc., is expressly "made a part of this contract" the language in each must be harmonized if possible.

In *Dermott v. Jones* (2 Wall, 7) the court said: "The specifications and the instrument to which they are attached constitute the contract. They make a common context and must be construed together."

The language in the proposal, specifications, schedule, and bond, extending or restricting the amount to the actual operating needs of the period, is so plain as to be self-interpreting. Unless, therefore, the contract has narrowed these conditions the duty to furnish according to the needs is clear.

The restrictive contention can be based only on the contract words "so much of the estimated quantity as may be ordered" as limiting the obligation to furnish within the estimated poundage as a maximum. Such a reading is, in the present case, neither necessary nor proper. First, it would oppose the plain language of other parts of the contract; i. e., the proposal and its accompanying papers. This may not be done if any other reasonable reading be possible. Second, it would oppose the plain purpose of the act with regard to the contract; namely, the procurement by competitive bidding of a periodical supply of *all* paper necessary for the public printing. This feature has been considered above. Third, as repeated partial orders were contemplated, the language was framed with this in mind and obligated the Republic Bag & Paper Co. to deliver "so much" as each order might call for. The words "of the estimated quantity" are controlled and limited by the following language, namely, "whether more or less than the estimates stated in the proposal," and the further following words—"as more specifically set forth and described in the proposal containing the instructions, schedule, and specifications * * *, a copy of which is hereto attached and made a part of this contract."

In other words, the "estimated quantity" to be furnished would be more or less than the number of pounds named in the 3-cent bid, according as the needs of the printing operation during the named six-month period might increase or decrease that poundage.

The wording of the contract might have been more apt and in future contracts it should be made as clear in this respect as the language in the instructions, specifications, and proposals; but support for the view that this is the proper reading of the present contract is found in the case of *Brawley v. United States* (96 U. S., 168, 172, 173), wherein it is said:

"If, however, the qualifying words are supplemented by other stipulations or conditions which give them a broader scope or a more extensive signification,

then the contract is to be governed by such added stipulations or conditions. As, if it be agreed to furnish so many bushels of wheat, more or less, according to what the party receiving it shall require for the use of his mill, then the contract is not governed by the quantity named, nor by that quantity with slight and unimportant variations, but by what the receiving party shall require for the use of his mill; and the variation from the quantity named will depend upon his discretion and requirements, so long as he acts in good faith (172).

" * * * The contract was not for the delivery of any particular lot or any particular quantity, but to deliver at the post of Fort Pembina eight hundred and eighty cords of wood, 'more or less, as shall be determined to be necessary by the post commander for the regular supply, in accordance with Army Regulations, of the troops and employees of the garrison of said post, for the fiscal year beginning July 1, 1871.' These are determinative words of the contract, and the quantity designated—eight hundred and eighty cords—is to be regarded merely as an estimate of what the officer making the contract at the time supposed might be required. The substantial engagement was to furnish what should be determined to be necessary by the post commander for the regular supply for the year, in accordance with Army Regulations."

As to the right to newly contract: As the Republic Bag & Paper Co. stands obligated to supply all the news print paper needed for the printing operation during the contract six-months period, no new contract should be made with it for any part of that supply. It should be forced to fill the existing contract or put in default thereunder. To put it in default, a delivery order under the contract should be given it. If not complied with, the paper company should be notified that it has thereby breached its obligation and put itself in default, and thereafter proceedings for securing another supply and for lodging responsibility for the ensuing damages should be had under the default paragraph of the contract and also under sections 9, 10, and 11 of the Printing Act.

As to the right to take less than the minimum named: The third question, for reasons already set forth, has been answered in the affirmative. The minimum is but an estimate; the *actual* need controls, whether less than or more than the minimum specified in the schedule.

Respectfully,

(Signed) T. W. GREGORY, Attorney General.

To the PRESIDENT.

REPLY FROM THE CHAIRMAN OF THE FEDERAL TRADE COMMISSION.

FEDERAL TRADE COMMISSION,
Washington, September 16, 1916.

Hon. DUNCAN U. FLETCHER,

United States Senate, Washington, D. C.

MY DEAR SENATOR: Your very interesting letter of September 13, dealing with Senate resolution No. 269 and inviting my attention to the remarks on pages 16416-16417 of the Congressional Record of September 7, 1916, is received. I have read same over carefully.

I will bring your letter before the entire commission at the first opportunity.

As you know, we are investigating the news-print paper situation, and we hope to have our report ready within the next month or so. This investigation was started pursuant to a resolution introduced by Senator Owen, and you may be interested in knowing that up to the present time we have expended on this particular piece of work approximately \$15,000.

In order for the commission to undertake an investigation of the prices of all grades of printing paper, in accordance with your resolution, it is only fair to say that we will need an additional appropriation, as we will require all of our present funds to complete the various investigations now under way.

However, as above indicated, when the commission returns, early in October, I will be pleased to present the matter to it and then give you an approximate estimate of the cost of conducting such an investigation as your resolution evidently contemplates.

Very truly yours,

EDWARD N. HURLEY, Chairman.

CORRESPONDENCE WITH THE PUBLIC PRINTER.

CONGRESS OF THE UNITED STATES,
JOINT COMMITTEE ON PRINTING,
Washington, September 13, 1916.

The PUBLIC PRINTER,
Government Printing Office.

DEAR SIR: Replying further to your letter of September 7, 1916, stating that the paper situation in the Government Printing Office "is imperative enough to request that some action be taken whereby the Government will be enabled to purchase paper for the public printing and binding work at a reasonable price," I desire to call your attention to the resolution (S. Res. 269) which was adopted by the Senate on my motion September 7, 1916, and to the remarks which I made in the Senate on offering the resolution (Cong. Rec., pp. 16416-17).

In connection with this resolution I would respectfully suggest that you submit to the Federal Trade Commission at as early a date as practicable, such information as your office may have concerning the difficulty you have had in getting manufacturers and jobbers to submit quotations on paper for the public printing and binding and the excessive prices that have been demanded for such paper. The purpose of the resolution is to determine whether the Government has been discriminated against by manufacturers in the furnishing of paper for the public printing and binding. Any evidence that you may have in this connection will, I am sure, be appreciated by the Trade Commission.

In view of the situation of the past several months and the statements made in your letter of the 7th, there seemed to be no other course open than to request a full investigation of the matter by the Federal Trade Commission. Your hearty cooperation with that commission in its investigation will, I am sure, be to the best interests of the Government.

Respectfully,

DUNCAN U. FLETCHER,
Chairman.

OFFICE OF THE PUBLIC PRINTER,
Washington, September 16, 1916.

SIR: I have the honor to acknowledge receipt of your communication of September 13, 1916, inclosing copy of Senate resolution No. 269, relating to investigation by the Federal Trade Commission concerning paper for public printing and binding work.

In accordance with your request I am pleased to advise that I will be glad to cooperate with the Federal Trade Commission in

every manner possible, and will furnish them with any information available at this office.

Respectfully,

CORNELIUS FORD,
Public Printer.

CHAIRMAN JOINT COMMITTEE ON PRINTING,
United States Senate, Washington, D. C.

OFFICE OF THE PUBLIC PRINTER,
Washington, October 12, 1916.

SIR: With reference to the authority granted under date of September 7, 1916, for the purchase of machine-finish book paper at a price not exceeding \$0.11 per pound as in my judgment would be for the best interests of the Government, I am pleased to advise that instead of purchasing the paper at the price above named I have been able to negotiate for it at \$0.08 per pound, which resulted in a saving of over \$11,000 to the Government.

I trust this information and action will meet with your hearty approval.

Respectfully,

CORNELIUS FORD,
Public Printer.

CHAIRMAN JOINT COMMITTEE ON PRINTING,
United States Senate, Washington, D. C.

CONGRESS OF THE UNITED STATES,
JOINT COMMITTEE ON PRINTING,
Washington, October 14, 1916.

The PUBLIC PRINTER,
Government Printing Office.

DEAR SIR: I am pleased to acknowledge receipt of your letter of the 12th advising me that your Office has been able to purchase machine-finish book paper at 8 cents per pound instead of 11 cents per pound, as previously authorized, thereby effecting a saving of more than \$11,000 to the Government.

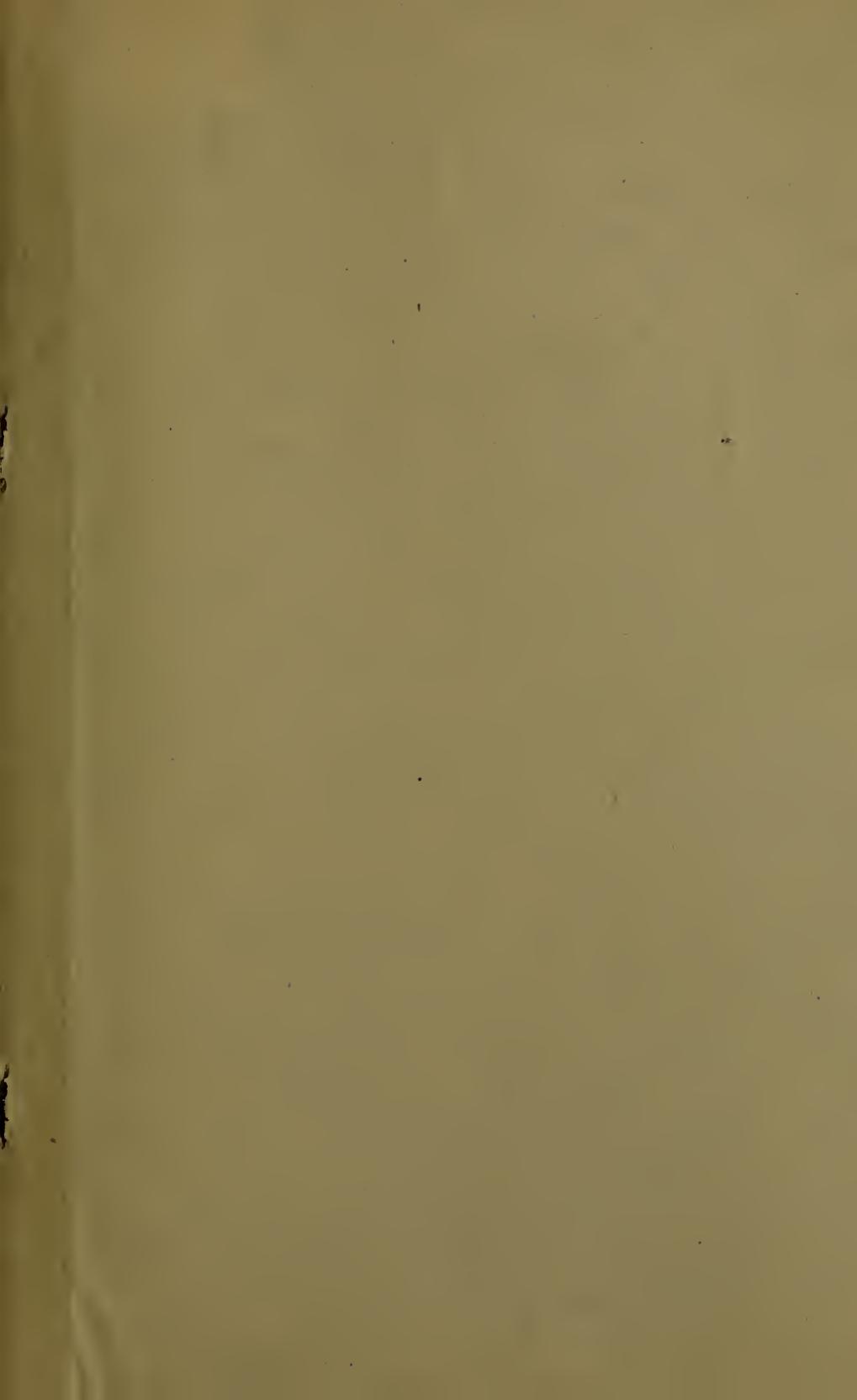
This saving is very gratifying and I desire to congratulate you upon rendering such good service to the Government. I am sure that your action meets with the hearty approval of the committee.

It seems to me that the resolution adopted by the Senate on my motion of September 7, 1916, directing the Federal Trade Commission to investigate the increase in the prices of paper, must have had some influence in bringing about this reduction in the price of paper for the Government Printing Office. If the resolution has assisted in part in effecting this saving I do not believe that its adoption has been in vain even if no other good results therefrom. I am very hopeful, however, that the investigation will be of material advantage to the Government.

Very respectfully, yours,

DUNCAN U. FLETCHER,
Chairman.







Gaylord Bros.
Makers
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